

- Good Morning...My name is Robert Moore and I am the Deputy Superintendent of Finance and Operations at Oakland Schools. I have 45 years of work experience with the last 27 years as head of Finance, CFO and Deputy Superintendent in four large school districts. I appear today on behalf of both Oakland Schools and our constituent School District, Pontiac. I appear and urge your support for passage of both HB 4331 and HB 4332.
- In FY 12/13, Pontiac overspent its General Fund revenue by nearly \$14 million and thus increased the Districts deficit to \$51.7 Million. (equal to \$11,430 per pupil)
- The very next year, In FY 13/14, the first year under a PA 436 Consent Agreement and the first year with BOTH close Treasury and MDE oversight and with Oakland Schools providing all Business/HR/Procurement and Technology Services....the Pontiac School District had a POSITIVE net income of \$11.6 Million, reducing its deficit by 24%, completing an over \$25 Million improvement of net income....AND...this year, FY 14/15, the deficit will be reduced by another \$3 Million.
- HOW ?
  1. Huge wage and benefit concessions in excess of 11.4% on wages and a reduction of employer support to health insurance of approx. 33% (\$7,000 per year family coverage decrease for the district and increase for the employees).
  2. Rightsizing of the workforce to the enrollment
  3. Outsourcing of M&O & Grounds, transportation, food service management, HR, Business and Technology.
  4. Emergency Loan no. 1 for \$10 Million was received in January of 2014.
  5. One time revenue from Insurance claims and property sales in the last 24 months(over \$12 Million)
  6. Strong fiscal controls, staffing controls and vastly improved grant management and accounting.
  7. Substantial cash flow borrowings every year (SAN and TAN)
  8. Strong oversight and support by both Treasury and MDE
- Still the remaining deficit is equal to approx. \$8, 350 per pupil. If this level was the deficit at DPS now the DPS deficit would be over \$392 Million. The DPS deficit on 6/30/14 was \$169 Million..... not nearly as large as the Pontiac Deficit on a per student basis. In fact, not even half as large per pupil.
- The Pontiac district has no G.O or bonded indebtedness and thus no property tax levy for debt. However, Capital needs are enormous and now approach \$100 Million. In just the last 24 months over \$10 Million of operating funds has been expended on mostly emergency facility repairs. These funds are desperately needed for instruction. An Emergency Loan is vital to the continued progress on the highest priority capital projects.
- The District does however have substantial operating debt and interest costs **not supported by a debt** millage which together with Deficit reduction which will require \$947 per pupil or \$4.15 Million-next year. Combined with the need for yearly deficit reduction the district is projected to expend --on average—for the next 14 years---13.3 % of all its state and local revenue for debt,

interest and deficit reduction before spending one cent on educational services for its nearly 4,400 students (\$1,413 per student per year on average ).

- Pontiac has approximately 4,400 students enrolled but there are over 11,000 resident students. Additionally, the district has a special education student head count of approximately 18% of total student enrollment and an At-risk student population which is approximately 80% of total enrollment.
- The Consent Agreement is working well for Pontiac and can continue to work well if all the tools provided by existing state law are made available to the District. The Pontiac School District is reducing its deficit and can ---over time-- eliminate its deficit entirely without a state bailout. However, the district cannot continue to operate without access to the financing tools already in state law. The second \$10 M emergency loan which was included in the already State Approved Deficit Elimination Plan is a necessary tool for Pontiac. This loan is needed ASAP and certainly by NLT Mid-July. The district will run out of cash without a financing/borrowing by then and is already holding back payments to vendors for M&O, capital repairs and Student Transportation because of the delay in obtaining the second emergency loan.
- Most troubling is that the district has already stopped needed capital repair projects due to the lack of cash to pay the vendors. Immediate passage of the emergency loan legislation will permit these vendors to be paid and critical projects to begin.

The emergency loan proceeds are not held by the District and cannot be drawn on without State Treasurer pre-approval on the uses of those funds. Oakland Schools prepares the requests but funds are not released without Treasury approval. The Emergency Loan agreement provides for an intercept of state aid and or property taxes if the district does not make timely repayments. The risk of the district not repaying the loan is negligible at most.

Lastly, the National Credit rating agency, Moodys, has contacted the district on several occasions regarding the Pontiac School District situation. Initially, the contact was made because before the Consent Agreement was in place, the District defaulted on a bond payment due to lack of sufficient cash. That situation has been completely rectified and now, knowing the critical importance of the Emergency Loan to Pontiac's ability to make future bond payments, they are monitoring the emergency loan legislation very closely. Absent approval of the legislation before you, the chances of Pontiac being able to restructure or refinance any of its existing debt will either be impossible or too expensive. I, again, urge your support for these two bills.

Questions....